

Message Text

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20

ACTION TRSE-00

INFO OCT-01 EUR-25 EA-11 ISO-00 NEA-10 IO-14 H-03 L-03

PRS-01 PA-04 USIA-15 CEA-02 SPC-03 AID-20 EB-11

NSC-10 RSC-01 CIEP-02 SS-20 STR-08 OMB-01 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 DRC-01 /204 W

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P R 250756Z OCT 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 8774

INFO AMEMBASSY BANGKOK

AMEMBASSY VIENTIANE

AMEMBASSY TOKYO

AMEMBASSY OTTAWA

AMEMBASSY BONN

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USADB

BANGKOK FOR RED

E.O. 11652: NA

TAGS: EAID, EFIN, LA

SUBJ: NAM NGUM PHASE TWO

REF: STATE 207962

SUMMARY: NAM NGUM PHASE TWO DONORS MEETING CONVENED OCT.
23-25 AT ADB. BANK STAFF FOUND IT IMPOSSIBLE FINALIZE
PROPOSED DRAFT AGREEMENT BECAUSE OF INCOMPATIBLE POSITIONS
OF SEVERAL DONORS, SOME OF WHOSE CONTRIBUTIONS (E.G. CANADIANS,
GERMANS) ARE OF ESSENTIALLY BILATERAL NATURE. CANADIAN
AND JAPANESE IMPASSE OVER CONSULTING SERVICES MAY BE
RESOLVED BY BANK SF CONTRIBUTION OF ABOUT \$2 MILLION FOR
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CONSULTING ENGINEERS. NEW DRAFT AGREEMENTS TO BE CIRCULATED LATE

NOVEMBER 73.

1. MANILA MEETING OF PHASE TWO DONORS OPENED WITH ADB REQUEST TO DONORS TO SOFTEN TERMS AS MUCH AS POSSIBLE FOR BENEFIT OF LAOS. AFTER STATEMENTS BY DONORS INDICATING THAT PLEDGES WERE SUBSTANTIALLY SAME AS AT MAY 31 MEETING IN BANGKOK, TWO CRITICAL ISSUES EMERGED:

A) CANADIAN DELEGATE ANNOUNCED GOC CONTRIBUTION WAS TIED TO CANADIAN ENGINEERING SERVICES (\$2.5 MILLION) WHICH WAS IN CONFLICT WITH GOJ STIPULATION THAT CONSULTING ENGINEERS BE SELECTED ON BASIS OF INTERNATIONAL COMPETITION REGARDLESS OF FINANCING AVAILABILITIES. (FYI: JAPANESE LOAN WILL BE 2 PERCENT INTEREST FOR 30 YEARS INCLUDING 10 YEARS GRACE.) THIS MATTER RESOLVED WHEN ADB PROPOSED BANK PROCEED ON BASIS OF INTERNATIONAL BIDDING FOR CONSULTANT SERVICES. IF AS RESULT OF SUCH BIDDING CANADIAN FIRM WAS NOT SELECTED AND GOC THEREFORE WITHDREW FROM PROJECT, AND IF NO OTHER DONOR WOULD MAKE UP SHORTFALL, ADB WOULD SEEK BOARD APPROVAL TO MAKE UP SHORTFALL FROM SPECIAL FUNDS. US WOULD BE AMONG ELIGIBLE SUPPLIERS FOR CONSULTING SERVICES AS CONTRIBUTOR TO PHASE TWO.

B) UK, CANADA, AND GERMAN CONTRIBUTIONS, WHICH BECAUSE THEY ARE TIED TO SPECIFIC PROCUREMENT PACKAGES, COULD NOT BE ACCOMMODATED WITHIN TERMS OUTLINED IN PROPOSED DRAFT AGREEMENT. RELUCTANTLY BANK CONCLUDED PRESENT DRAFT AGREEMENT WOULD HAVE TO BE SUBSTANTIALLY MODIFIED. IN ADDITION MODIFYING PRESENT FUND AGREEMENT BANK WILL REQUIRE A SEPARATE AGREEMENT WITH LAOS TAKING INTO ACCOUNT REVISED NATURE OF PROJECT CONFIGURATION. BANK HOPES TO SUPPLY NEW DOCUMENTS BY LATE NOVEMBER. DONORS WOULD THEN EXCHANGE VIEWS BY CABLE WITH SIGNATURE OF REVISED AND APPROVED DRAFTS SCHEDULED FOR LATE JANUARY. IN MEANTIME ADB WOULD PROCEED SELECT CONTRACTOR FOR ENGINEERING SERVICES WITH CONTRACT TO BE AWARDED FOLLOWING SIGNATURE FUND AGREEMENT. MEMO OF UNDERSTANDING COVERING CONDITIONS OF DONORS CONTRIBUTIONS AND PROPOSED COURSE OF ACTION AGREED TO BE ALL PARTICIPANTS.

2. US REP NOTED NECESSITY US TYING ITS CONTRIBUTION (EXCEPT FOR EQUITABLE CONTRIBUTION TO LOCAL COSTS) AND STRESSED US FLEXIBILITY RE ARRANGEMENTS ACCEPTABLE TO US WITHIN THOSE CONSTRAINTS.
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US CONDITIONS WERE CLEARLY OF LESS CONCERN AND MORE ACCEPTABLE TO ADB THAN SOME OF THE CONDITIONS IMPOSED BY OTHERS. US DID NOT ANNOUNCE PRECISE LOAN TERMS AT OPEN MEETING BUT ADVISED ADB OF DL TERMS AND FUNDING SITUATION IN LINE REFTEL. WHILE DL RAISES SERIOUS PROBLEM BECAUSE OF REQUIREMENT FOR INTEREST DURING CONSTRUCTION PERIOD, TERMS GENERALLY ACCEPTABLE. ADB AND LAOS OF COURSE HOPE FOR SOFTER TERMS IF AT ALL POSSIBLE.

3. MEMORANDUM OF RECORD AND CONFERENCE DOCUMENTS BEING POUCHED.

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